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FAIRCHILD REPORTS BIG LOSSES, SELLING OFF SUBSIDIARIES

Fairchild Industries, reporting losses of over $90 million for the first half of 1985 as a result of higher than anticipated costs and delays in its aircraft programs, is selling off a number of its subsidiaries and taking other action to improve its cash position. For the six months ended June 30, Fairchild reported a net loss of $93.4 million, or $7.39 per share, compared with net earnings of $15.9 million, or 71 cents per share, in the same period last year. Sales from continuing operations fell from $392.2 million last year to $380.6 million this year. In the second quarter alone, Fairchild said it lost $82.3 million, or $6.29 per share, compared to net earnings of $7.3 million, or 31 cents per share, in the same period last year.

SF-340 Reserves Now Total $135 Million

"The loss in the quarter was principally the result of additional reserves established on the Saab-Fairchild 340 and Air Force T-46A trainer and aircraft programs," the company said. Fairchild said that "as a result of a recent update of the estimated 340 program costs and revenues, it has taken additional reserves of $85 million. The update indicated that certain manufacturing performance improvements assumed in previous estimates did not occur or do not appear likely to occur as projected. The cost of material and major subsystems and components has also increased, and projections for revenues were revised downward." The $85 million in reserves for the program just announced is in addition to $50 million in reserves the company set aside in January to cover anticipated losses on the program *(BA, Jan. 21/18)*. Spokesmen for the company said Saab-Fairchild has orders for about 75 of the 35-passenger commuter aircraft, of which 23 have been delivered *(see related item on Page 61)*.

Fairchild also added $21 million in reserves on the T-46A program, noting that "additional engineering tasks and ground testing on the prototype aircraft . . . the resulting schedule slippage and higher costs in manufacturing have contributed to a substantially higher estimate of cost to complete the first phases of the T-46A program." The company had established a total of $39 million in reserves for the program in the last quarter of 1984 and the first quarter of this year. Fairchild said its government aerospace business volume was down sharply in the second quarter and its other commercial aircraft operations in San Antonio, Tex. "remained in a loss position, although sales strengthened."

Plans To Tap Pension Plans

The company is in the process of selling a number of its subsidiary operations in an attempt to improve its financial position. It reached agreement this month with its partner, Continental Telecom Inc., to sell its 50 percent interests in American Satellite Co. and Space Communications Co. for $105 million. It has completed the sale of VSI Hardware Co. for about $11 million and is in the process of selling VSI Fasteners Co., a consumer products company, and Fairchild Burns Co., which manufactures airline seats. In addition to those moves, Fairchild said it "plans to recapture more than $45 million in assets from certain of its employe pension plans. This is the amount of the plans' assets in excess of liabilities for benefits for plan participants and other related costs." Fairchild said the action will have no effect on coverage or benefits to plan participants and will require regulatory approval before it is implemented.

(Continued on the following page)

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AIRPORT AND AIRWAY TRUST FUND
Status As Of May 31, 1985

	CURRENT MONTH	FISCAL YEAR TO DATE
I. BALANCE - BEGINNING OF PERIOD	$ 7,056,457,294.79	$ 6,440,835,770.41
II. RECEIPTS:		
A. Excise Taxes (Transferred from General Fund):		
Any liquid fuel except gas	3,914,000.00	45,751,299.00
Tires used on aircraft	0.00	0.00
Tubes used on aircraft	0.00	0.00
Gasoline		
1. Commercial 9 cents tax	218,000.00	1,799,000.00
2. Non-commercial 9 cents tax	526,000.00	14,820,384.00
3. Non-commercial 3 cents tax	176,000.00	4,487,128.00
4. Transp by air,seats,berths,etc.	179,434,000.00	1,588,193,730.00
Use of international trav fac	7,124,000.00	55,609,424.00
Transp of property and cargo	8,963,000.00	97,749,089.00
Total Tax Receipts	200,355,000.00	1,808,410,054.00
B. Less Reimbursement to General Fund - Refund of Taxes and Estimated Tax Credits :		
1. Civil aircraft	10,010.00	10,657.00
2. Any liquid fuel except gas	13,560.00	3,385,202.00
3. Gasoline -Retailer's tax	150.00	436,777.00
4. Gasoline -Manufac. tax	910.00	2,035.00
Total Reimburse For Tax Refunds	24,630.00	3,834,671.00
Net Tax Receipts	200,330,370.00	1,804,575,383.00
C. Interest on Investments	2,218,258.17	358,771,785.94
Net Receipts	202,548,628.17	2,163,347,168.94
III. EXPENDITURES :		
A. Federal Aviation Administration :		
1. Operations	58,159,700.00	563,282,551.38
2. Grants-in-aid for airports	50,982,581.27	512,925,168.55
3. Facilities & equipment	45,115,069.76	269,805,669.92
4. Research engineering & development	28,590,178.92	168,511,055.49
B. NOAA weather services	0.00	13,500,000.00
C. Interest on Refund of Taxes	7,500.00	7,601.00
Total Expenditures	182,855,029.95	1,528,032,046.34
IV. BALANCE - END OF PERIOD	7,076,150,893.01	7,076,150,893.01

ASSETS :		
Undisbursed Balances:		
Airport & Airway Trust Fund	$ 951.82	
Operations	78,672,448.62	
Grants-in-aid for Airports	-4,031,245.34	
Facilities & Equipment	7,587,839.78	
Research Engineering & Development	901,898.13	
NOAA weather services	0.00	
		$ 83,331,893.01
Investments :		
U.S. TREASURY CERTIFICATES OF INDEBTEDNESS:		
10-7/8% maturing JUNE 30, 1985	$ 133,054,000.00	
11 % maturing JUNE 30, 1985	39,290,000.00	
11-1/4% maturing JUNE 30, 1985	800,875,000.00	
11-1/8% maturing JUNE 30, 1985	5,545,387,000.00	
11-3/8% maturing JUNE 30, 1985	474,213,000.00	
		6,992,819,000.00
Total Assets		7,076,150,893.01
LIABILITIES:		0.00
EQUITY:		
Excess of Assets over Liabilities		$ 7,076,150,893.01
Total Liabilities and Equity		7,076,150,893.01

Treasury Department Chart